ALASKA ECONOMIC TRENDS

CONSTRUCTION INDUSTRY'S CHANGING ROLE

THE AFFORDABILITY OF ALASKA'S HOUSING 1987-1991

JULY IS HEIGHT OF SUMMER ACTIVITY

October 1991

ALASKA DEPARTMENT OF LABOR

WALTER J. HICKEL, GOVERNOR

ALASKA ECONOMIC
TRENDS

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Alaska Economic Trends is a monthly publication dealing with economic-related issues of Alaska. Opinions and analyses expressed by guest authors may not be consistent with those of the Alaska Department of Labor.

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October 1991
Volume 11
Number 10

Alaska State Employment Service

UNEMPLOYMENT INSURANCE

maintaining the foundation of economic security

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Editor's note:

We are compiling the results of the recent *Alaska Economic Trends* readership survey. Thanks to those who have returned them .. if you haven't mailed yours in, please do so by September 13. We plan to present the findings of this survey in an upcoming issue of *Trends*.

Cover design by Jim Fowler

The Changing Role of Alaska's Construction Industry

By Neal Fried

Compared to the last several years, the 1991 season appears to be a busy one for Alaska's construction workers. Detours and traffic congestion plague many communities this summer because of road construction. More new homes are dotting the landscape. Construction of a few office buildings and retail shopping centers is taking place — a rare sight in Alaska during the past five years. Is Alaska's construction industry on the verge of recapturing the prominent place it held many times over the past thirty years?

Neal Fried is a labor economist with the Research & Analysis Section, Administrative Services Division, Alaska Department of Labor. He is based in Anchorage.

Construction as the principal economic barometer

Historically, the construction industry was often used as the state's chief economic barometer because it played such an influential role. In the 1960s the construction industry employed 8-9% of Alaska's wage and salary work force. Today it employs 4.4% (See Figure 1.) In 1970, a year considered average for construction, the industry employed 7.5% of the state's wage and salary work force. The same year Anchorage issued 3,000 residential housing permits (and Anchorage's population was less than half its present size). That is more than double and possibly triple the number that will be issued for the entire state in 1991.

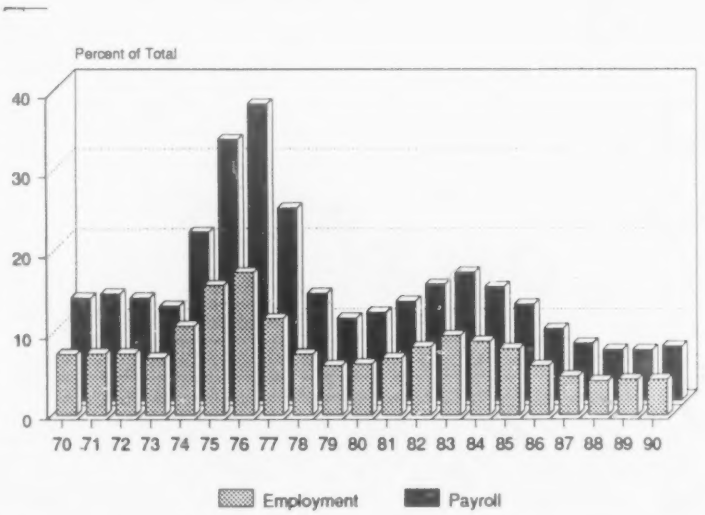
After construction began on the trans-Alaska pipeline in 1975, the industry became the state's second-largest employer. In 1976 it had the largest payroll — $1.5 billion — and employed more than 30,000 workers. Even when employment fell to 10,000 in 1979, construction still employed 6% of Alaska's wage and salary work force.

The construction cycle began again in 1980 with the increase in oil prices and, in turn, oil revenues. The oil industry also made significant investments in infrastructure. For four years the state spent more than a billion dollars a year on capital construction projects. (See Figure 2.) Residential and commercial construction projects followed. Residential building permits reached 12,000 in 1983. During the 1980-1983 period construction employment grew by more than 20% per year. Employment peaked at 20,700, or 9.7% of the state's work force, in 1983. Unlike the pipeline boom, this construction boom was spread across the state.

The construction industry's payroll carried even more economic punch than the jobs it created. Up until 1978 the industry's average monthly wages were the highest in the state. In 1979 construction's average monthly wage fell to second place behind the oil and gas sector, but had a clear lead over most industries. Construction earnings were above average because of higher-than-average hourly wages. The prevalence of overtime work, paid at one and a half times the base wage, further inflated earnings.

Figure • 1

Construction's Share of Employment and Payroll Levels Off



Source: Alaska Department of Labor, Research & Analysis

Oil crash altered construction's role

The industry's decline actually began before the crash of 1986. Construction employment peaked in 1983 and then began dropping. The severe decline did not begin until 1986; the slide did not end until 1989. (See Figure 3.) By then the construction industry dipped to less than half its 1983 size. It lost more jobs than any other industry — more than half of the 21,000 jobs lost during the recession were in construction. It is the only industry that is beyond the reach of its most recent peak.

Not only has employment in this industry become a shadow of its past, but its payroll has also lost some punch. (See Figure 1.) The reasons are not completely clear. Less overtime pay could be one. The industry became more competitive as contractors chased after less work. Downward pressure on hourly wages deflated earnings. Construction's 1990 average monthly wage in nominal dollars (not adjusted for inflation) was below the 1981-1984 period, while the average monthly wage for all industries has grown.

The construction industry is probably not on the threshold of another boom. Generally, an upswing occurs when one or more of Alaska's basic sectors grows and demands an increase in infrastructure. In Alaska it has meant the demand for a new oil pipeline, a military base, a fish processing plant, a new mine or a jump in oil revenues, which in turn prompts an increase in publicly-financed infrastructure. An increase in population then occurs, which results in additional construction activity in the residential and commercial sectors.

Construction began to recover with the rest of the economy in 1989. Unlike strong recoveries in Alaska's economy in the 1950s, 1970s and 1980s, the most recent recovery was not led by construction. In 1989 the construction industry

Figure • 2

Alaska's Capital Budget Shrinks

Source: ISER, University of Alaska–Anchorage

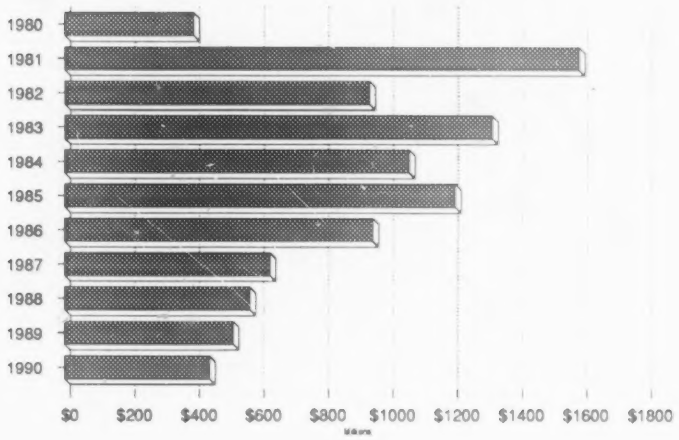


Figure • 3

Up's & Downs in the Construction Industry

Source: Alaska Department of Labor, Research & Analysis

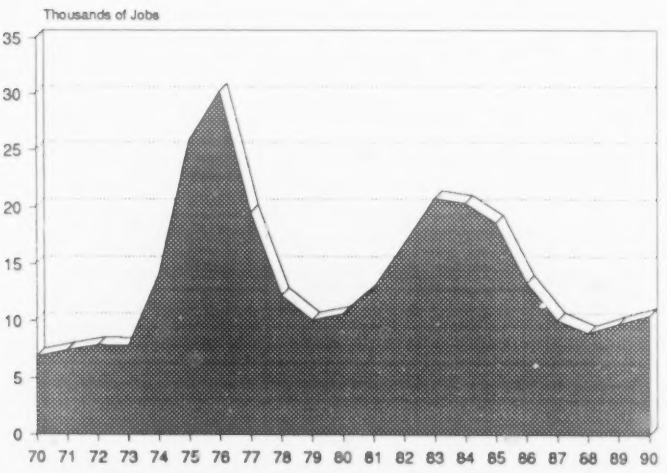
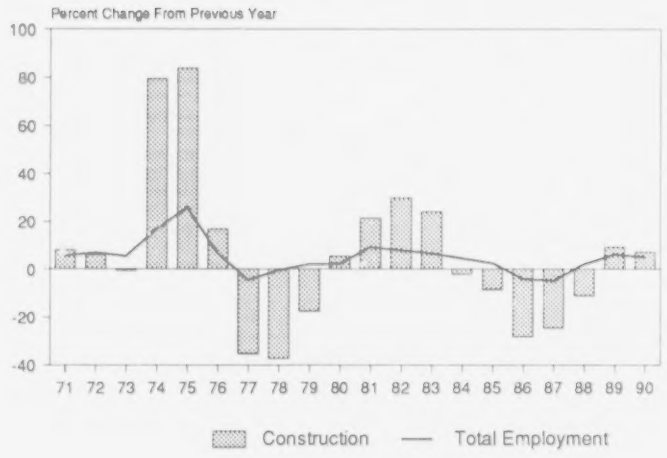


Figure • 4

Construction Often Led Economic Swings



Source: Alaska Department of Labor, Research & Analysis

grew only slightly faster than the rest of the economy. (See Figure 4.) This weak recovery in construction was no surprise, given the large inventory of commercial and residential property on the market. It may also be a sign that construction's role in the state's economy is changing.

In spite of the conspicuous increase in construction activity, overall employment in the industry in 1991 hasn't changed much from 1990 levels. Employment in the industry for the first half of 1991 grew 2.6%. As the year progressed the growth rate dwindled. By May, employment was falling compared to year-ago levels. Does this mean the apparent increase in construction activity is an illusion? Yes and no. Yes, there is more residential activity. Yes, there is more commercial activity. And yes, there is also more road construction. Housing permits and highway budgets support the contention there is an upswing in these areas.

The number of residential building permits issued could nearly double this year. Road construction is on the upswing. The new five-cent-a-gallon gasoline tax boosted federal highway funds. The Alaska Department of Transportation estimates the state received about $25 million more in federal highway funds in FY1992. Next year could see a similar increase. The 1992 state capital budget grew by $87 million, the largest increase since 1985. There is little doubt commercial construction is more lively than in the past several fallow years.

For example, three major national retailers are building new stores in Fairbanks and Juneau. Office buildings and additional retail space are being built in Anchorage. Princess Tours is building a new hotel in Fairbanks. So why doesn't employment data reflect an upsurge in activity?

Fewer large construction projects today

The number of large construction projects (in the $20-100 million range) has declined. Because most of these projects were at remote sites or were military-related, they were not very conspicuous. When these projects were completed or began to wind down, it was not noticeable to the casual observer.

As an example, construction projects for the new 6th light infantry division at Fort Wainwright in Fairbanks represented one of the state's largest source of construction employment since 1985. To date the army has spent more than $550 million. In 1988, the military appropriated $140 million for this project and the construction work force exceeded 1,000. Combining these figures with construction activity at Eielson Air Force Base in Fairbanks, the figures climb even higher. (See Figure 5.) This construction peaked in 1988 and is now falling.

Other military construction includes the Navy's recently completed $60 million backscatter radar in Amchitka. The $57 million the Navy spent in federal fiscal year 1990 at Adak has fallen to the $25-30 million range. Statewide, most defense-related work is on the wane because of defense spending cuts. Defense work in the Aleutian Islands has also fallen off.

More recently, several fish processing companies built new plants in Dutch Harbor. Universal Seafoods recently completed a $60 million dollar plant; Westward is nearly done building a $70 million plant.

The $328 million Bradley Lake project near Homer also falls into the remote class. This hydroelectric project began in 1988. It employed hundreds of work-

ers, peaking at 378. This July there was a construction crew of 47 at the site putting the finishing touches on the project. Going back a little further, the development phase of the Red Dog lead and zinc mine northwest of Kotzebue was another large project. Construction crews peaked at 700 in 1989; the construction phase of Red Dog ended in 1990.

Even oil sector-related work, an important source of construction activity during the past three years, is subsiding. The oil companies finished installing the $450 million GHX-1 gas-handling project during the 1990 construction season. Pipeline repair work is also not reaching the levels it did last year.

Variety of construction projects changes

Alaska's present construction mix is changing. Big industrial-type construction activity is giving way to more residential, commercial and road construction activity. The increase in residential and commercial activity is in response to a growth in population, not infrastructure. Most of this population growth is a result of an expanding economy in its third year of recovery.

Figure • 5

Military Construction Falls In Fairbanks

Source: Fairbanks North Star Borough, Community Research Center

As a result, absorption of residential and commercial space has taken place. It is also not unusual to see new commercial entry into a market after a period of economic recovery. Investors need some convincing that a recovery is indeed in motion before they are willing to commit. The economy's performance in 1989 and 1990 was pretty convincing.

It is possible that the present decline in construction employment could simply represent a lull in activity. Several sizeable construction projects are either just getting underway or have not yet begun. For example some of these are:

- $50-60 million hotel at the Alyeska Resort in Girdwood
- $20 million U.S. Fish & Wildlife Visitors Center in Homer
- $17.7 million Alaska Job Corps Center in Palmer
- $16 million for Coast Guard housing in Kodiak
- $9.7 million Carrs Quality Center store in Kenai
- $7.7 million dock in Unalaska
- $5 million new Alaska Railroad headquarters in Anchorage

The increase in residential, commercial, and road construction activity may not be large enough to replace the completed larger projects. There are already signs builders are approaching the residential market a bit more cautiously than they initially were in late 1990. More likely, construction may remain uncharacteristically stable during the next few years.

Conclusion: construction's economic role may remain small

Maybe it was inevitable that construction's role in Alaska's economy would diminish over time because of the remarkable expansion of the retail trade and services industries. Today 41% of Alaska's employment is with these two industries compared to 29% in 1970 and 35% in 1980. Given Alaska's youth as a state and the fact that economies are often reborn, this change might best be referred to as an increase in complexity or evolution in Alaska's economy.

In the immediate future some economic factors will act as a brake to prevent any construction boom. The tax incentives for commercial construction disappeared with the 1988 Tax Reform Act. Bankers are not about to open their vaults to real estate loans as readily as they did in the early 1980s. There is no expectation of a run up in oil revenues any time soon — a decline is much more likely. The economy is beginning to slow down.

This does not preclude construction from recapturing its preeminent role in the Alaskan economy. It would, however, take something on the magnitude of a gas pipeline or development of ANWR for the construction industry to once again reach its former prominence.

The Affordability of Alaska's Housing: 1987-1991

by F. Terry Elder

Changes in the affordability of homes result from an interaction of changes in home prices, interest rates, underwriting standards, and borrower income. Based on loan data obtained from the Alaska Housing Finance Corporation (AHFC), housing became less affordable during the year ending March 1991. The good news for home buyers, however, is that housing in Alaska was still more affordable than it was in the fourth quarter of 1987. These are the conclusions of a report recently prepared for AHFC by the Research and Analysis Section of the Alaska Department of Labor. (See sidebar this page.)

More affordable housing is good for home buyers, of course. If it results from falling market values of homes, however, it is bad for current homeowners. In the best of worlds, housing would become more affordable as rising incomes more than compensate for stable or rising home values. As the period of 1987 to the first quarter of 1991 shows, however, it is not always the best of worlds.

During the four years ended in the first quarter of 1991, changes in prices generally dominated changes in affordability. Not every type of housing and every area is affected the same way. Therefore, there are always some areas and types of homes that are weaker or stronger relative to others. A complete analysis of affordability would be based on all of a household's sources of income and its assets. The income is needed to meet the mortgage payments. The assets are needed to meet the required down payment and closing costs. Since such data are not available on a timely basis for each geographic area of the state, the unemployment insurance wage file was used to determine the median value of wage income in various locations of the state.

This median wage can be compared to the income required by a lender to meet the monthly payment (principal plus interest) on a 90% mortgage on the median priced home in the same area. As the monthly mortgage payments rise relative to incomes, housing becomes less affordable. As incomes rise relative to mortgage payments, housing becomes more affordable.

The report features an "Affordability Index" which indicates the ease or difficulty of qualifying for an average mortgage. The index is expressed as an area's average number of persons per household required to afford the average mortgage. It is computed by dividing the minimum income required for the area's average mortgage by the area's average wage income.

A larger index number means the household must contain more people, who are earning the average wage income, in order to qualify for the mortgage. If the indicator gets larger over time in a particular geographic area, it is becoming more difficult to qualify for the average home in that area. During any quarter of any year, the value of the indicator in one area can be compared to that of another area. Again, housing is considered to be less affordable in the area with the larger value for the indicator.

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Income increased, home prices declined

All three types of single family dwellings (condominiums and single family residences with and without a garage) increased in affordability between the first quarters of 1987 and 1991. (See Figure 1.) The number of wage earners needed to qualify for a 90% mortgage (the Affordability Index) fell sharply through 1987. This means that housing became more affordable. The index continued to decline moderately until the second quarter of 1990. It began to rise as home price increases began to outpace income gains, and AHFC's subsidy reduction slightly increased the median mortgage payment.

Over the entire period, two primary factors influenced the index and caused housing to increase in affordability.

The publication, *Alaska Housing Market Indicators*, provides detailed statistics relating to Alaska's housing market. The report was funded by the Alaska Housing Finance Corporation in order to establish baseline indicators of the condition of Alaska's housing market. The information is derived from new surveys conducted by the Alaska Department of Labor, from housing loan characteristic information from Alaska Housing Finance Corporation and other sources. Selected housing market statistics from the 1990 Census are also included in this report. Building permit information was obtained through personal and survey contact of virtually every local government agency in Alaska. Housing sales information was obtained from the reporting Multiple Listing Service agencies throughout the state

Average wage income increased, and average home prices declined. These more than offset slightly higher interest rates, whose rise had a negative effect on affordability. The underwriting standard was unchanged during the time period.

The median price of single family homes with a garage ended the period 22.1% lower than in the first quarter of 1987, but 28.5% higher than the low reached in the first quarter of 1990. The median price of single family homes without a garage declined 39.2% over the four-year period, and ended the period only 14.0% above the low reached in the second quarter of 1990. The greatest price volatility was in condominiums. The median price of condominiums ended the four year period 44.7% below the first quarter of 1987, but 42.5% greater than the low point reached in the first quarter of 1990.

From the first quarter of 1987 to the first quarter of 1989, average monthly wages fluctuated in a narrow range around $2,300. There was a sharp jump in the second and third quarters of 1989, and average monthly wages ended the period at a preliminary level of $2,465, up more than 7 percent. This increase caused homes to become modestly more affordable over the period.

Interest rates affect mortgage payments

Increases in AHFC interest rates slightly offset the positive impacts of declines in home prices and increases in wage income. The subsidized interest rate was 9.1% during the first half of 1987, and then rose to a level of 10% for the rest of the period[1]. The unsubsidized rate rose sharply in the third quarter of 1987 from 9.1% to 11.1%. It declined in an irregular fashion beginning in the first quarter of 1990, but still ended the four-year period at 10.3%.

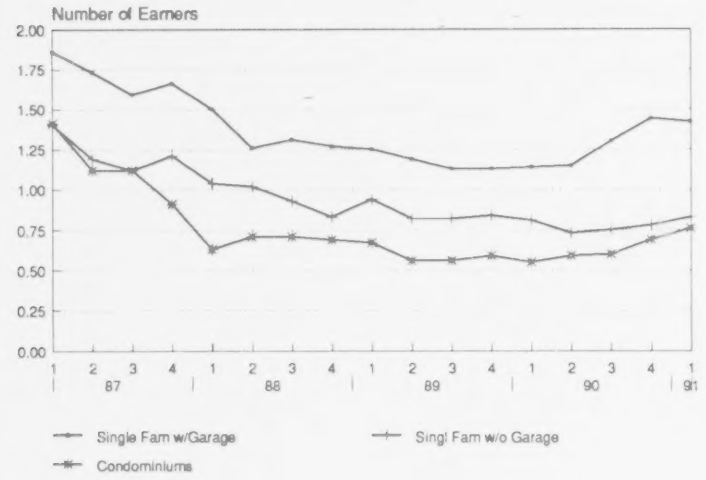
In addition to the higher interest rates, the monthly mortgage payment increased due to a reduction in the amount of the loan which was subject to the subsidized rate. From the first quarter of 1987 through the second quarter of 1990, the first $90,000 of a loan was subject to the subsidized rate. On July 1, 1990, this was reduced to $70,000. The effect of this action was the same as a general increase in interest rates on loans greater than $70,000. When the change occurred, only the median price of single family homes with a garage was greater than $70,000. The change did not affect a loan for the average condominium or single family home without a garage. The net result (holding other factors constant) was to make single family homes with garages less affordable both absolutely and *relative* to the other two types of homes.

The increases in interest rates, coupled with the reduction in the amount of the loan subject to the subsidized rate, reduced the affordability of housing (holding other factors constant). For example, on a $90,000 30-year fixed-rate loan, an increase in the loan rate from 9.1% to 10.1% increases the monthly mortgage payment by about $66. Applying this mortgage payment increase to the underwriting standard results in the lender requiring the borrower to earn $275 per month more to qualify for a loan.

[1]For most of the 1980s, AHFC loans have included a state subsidy which takes the form of a lower interest rate on the borrower's loan. The unsubsidized interest rate is essentially the corporation's cost of funds. The subsidized rate is less than the cost of funds only when the cost of funds exceeds 10%. The subsidized and unsubsidized rates were both 9.125% in early 1987. The subsidized interest rate may not apply to the total loan amount. There is a size limit set by law, and that limit is being phased out gradually.

Figure • 1

Affordability Index
(Number of Earners Required to Qualify for a 90% Mortage)
Statewide , 1st Quarter 1987-1991



Note: 4th Quarter 1990 and 1st Quarter 1991 are preliminary

Source: Alaska Department of Labor, Research & Analysis

July is Height Of Summer Activity

by John Boucher

Alaska's statewide unemployment rate dipped below 7.0% in July, falling more than a full percentage point to 6.7%. The 6.7% rate matched the comparable national unemployment rate for July. This marked the first time in a year that Alaska had an unemployment rate at or below the national average.

The drop in the July rate reversed a recent trend in statewide unemployment. There were slight increases in Alaska's unemployment rate during May and June — a somewhat unusual occurrence for Alaska's economy during the summer months. An increase or even no change in Alaska's unemployment in July would have signalled a very weak summertime economy. The drop in unemployment in July eases concerns that Alaska's normal seasonal surge would not materialize this year.

While the July drop in unemployment reversed the recent trend of summertime increases, it sustained another longer term unemployment trend. During 1991 the statewide unemployment rate has been consistently above the year-ago figure for the same month. Comparisons to last year had been relatively close to 1990 up until June, but the difference between this year and last year has grown larger in the last two months. This July's unemployment rate was significantly above last July's rate of 5.1%. (See Figure 1.)

In concert with the drop in unemployment in July, wage and salary employment grew by 5,400 jobs during the month. (See Table 1.) Typically, wage and salary employment peaks during July and August. Fish processors reach their peak employment of the year, Alaska's visitor industry is in full swing, construction, logging and the mining industries are all bustling with activity.

Table • 1

Nonagricultural Wage and Salary Employment by Place of Work — Alaska

	p/ 7/91	r/ 6/91	7/90	Changes from: 6/91	7/90
Total Nonag. Wage & Salary	258,400	253,000	256,900	5,400	1,500
Goods-producing	50,500	45,000	51,400	5,500	-900
Mining	12,400	12,300	12,700	100	-300
Construction	12,900	12,300	13,000	600	-100
Manufacturing	25,200	20,400	25,700	4,800	-500
Durable Goods	3,700	3,700	4,800	0	-1,100
Lumber & Wood Products	2,700	2,700	3,800	0	-1,100
Nondurable Goods	21,500	16,700	20,900	4,800	600
Seafood Processing	17,400	12,700	16,900	4,700	500
Pulp Mills	900	900	900	0	0
Service-producing	207,900	208,000	205,500	-100	2,400
Transportation	23,200	22,800	22,600	400	600
Trucking & Warehousing	2,800	2,800	2,800	0	0
Water Transportation	1,600	1,600	1,900	0	-300
Air Transportation	7,300	7,200	7,300	100	0
Communications	3,600	3,600	3,400	0	200
Trade	49,600	49,100	48,900	500	700
Wholesale Trade	8,800	8,700	8,600	100	200
Retail Trade	40,800	40,400	40,300	400	500
Gen. Merch. & Apparel	6,400	6,300	6,000	100	400
Food Stores	7,000	7,000	6,800	0	200
Eating & Drinking Places	14,600	14,300	14,500	300	100
Finance-Ins. & Real Estate	10,500	10,600	10,400	-100	100
Services & Misc.	55,900	55,300	54,700	600	1,200
Hotels & Lodging Places	7,300	7,000	7,200	300	100
Government	68,700	70,200	68,900	-1,500	-200
Federal	19,300	18,700	19,600	600	-300
State	20,900	21,100	21,500	-200	-600
Local	28,500	30,400	27,800	-1,900	700

Notes: Prepared in cooperation with the U.S. Bureau of Labor Statistics.

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

The employment numbers that appear above are definitionally different from those that appear in the Labor Force table.

Benchmark: March 1990
p/ denotes preliminary estimates *r/ denotes revised estimates*

Source: Alaska Department of Labor, Research & Analysis Section.

Table • 2

Nonagricultural Wage and Salary Employment By Place of Work

Municipality of Anchorage

	p/ 7/91	r/ 6/91	7/90	Changes from: 6/91	7/90
Total Nonag. Wage & Salary	117,800	117,500	115,150	300	2,650
Goods-producing	14,300	13,800	14,000	500	300
Mining	3,900	3,950	3,750	-50	150
Construction	7,300	7,000	7,250	300	50
Manufacturing	3,100	2,850	3,000	250	100
Service-producing	103,500	103,700	101,150	-200	2,350
Transportation	12,150	12,150	11,800	0	350
Trucking & Warehousing	1,750	1,750	1,600	0	150
Water Transportation	300	350	300	-50	0
Air Transportation	4,400	4,350	4,450	50	-50
Communications	2,150	2,150	1,900	0	250
Trade	27,250	27,050	26,600	200	650
Wholesale Trade	6,150	6,150	6,050	0	100
Retail Trade	21,100	20,900	20,550	200	550
Gen. Merch. & Apparel	3,250	3,250	3,150	0	100
Food Stores	3,400	3,350	3,200	50	200
Eating & Drinking Places	7,850	7,800	7,850	50	0
Finance-Ins. & Real Estate	6,600	6,650	6,500	-50	100
Services & Misc.	30,950	31,100	29,750	-150	1,200
Hotels & Lodging Places	2,800	2,800	2,750	0	50
Government	26,550	26,750	26,500	-200	50
Federal	10,600	10,450	10,700	150	-100
State	7,400	7,600	7,250	-200	150
Local	8,550	8,700	8,550	-150	0

Fairbanks North Star Borough

	p/ 7/91	r/ 6/91	7/90	Changes from: 6/91	7/90
Total Nonag. Wage & Salary	28,900	28,600	28,900	300	0
Goods-producing	2,750	2,550	2,950	200	-200
Mining	250	200	300	50	-50
Construction	1,800	1,700	1,950	100	-150
Manufacturing	700	650	700	50	0
Service-producing	26,150	26,050	25,950	100	200
Transportation	2,200	2,150	2,200	50	0
Trucking & Warehousing	500	450	500	50	0
Air Transportation	500	500	450	0	50
Communications	300	300	300	0	0
Trade	6,550	6,500	6,550	50	0
Wholesale Trade	800	800	800	0	0
Retail Trade	5,750	5,700	5,750	50	0
Gen. Merch. & Apparel	550	550	600	0	-50
Food Stores	800	850	800	-50	0
Eating & Drinking Places	2,550	2,450	2,500	100	50
Finance-Ins. & Real Estate	850	850	850	0	0
Services & Misc.	6,750	6,600	6,700	150	50
Government	9,800	9,950	9,650	-150	150
Federal	3,300	3,250	3,250	50	50
State	4,050	4,100	4,050	-50	0
Local	2,450	2,600	2,350	-150	100

Anchorage-MatSu Region

	p/ 7/91	r/ 6/91	7/90	Changes from: 6/91	7/90
Total Nonag. Wage & Salary	125,500	125,300	122,700	200	2,800
Goods-producing	14,950	14,400	14,550	550	400
Mining	4,100	4,150	3,800	-50	300
Construction	7,650	7,300	7,600	350	50
Manufacturing	3,200	2,950	3,150	250	50
Service-producing	110,550	110,900	108,150	-350	2,400
Transportation	12,800	12,800	12,400	0	400
Trade	29,150	29,000	28,600	150	550
Finance-Ins. & Real Estate	7,050	7,050	6,950	0	100
Services & Misc.	32,600	32,750	31,350	-150	1,250
Government	28,950	29,300	28,850	-350	100
Federal	10,800	10,600	10,900	200	-100
State	8,200	8,450	8,100	-250	100
Local	9,950	10,250	9,850	-300	100

Interior Region

	p/ 7/91	r/ 6/91	7/90	Changes from: 6/91	7/90
Total Nonag. Wage & Salary	33,800	33,350	33,900	450	-100
Goods-producing	3,150	2,950	3,300	200	-150
Mining	450	400	500	50	-50
Construction	1,950	1,850	2,050	100	-100
Manufacturing	750	700	750	50	0
Service-producing	30,650	30,400	30,600	250	50
Transportation	2,550	2,450	2,600	100	-50
Trade	7,050	7,000	7,050	50	0
Finance-Ins. & Real Estate	950	950	950	0	0
Services	7,750	7,600	7,600	150	150
Government	12,350	12,400	12,400	-50	-50
Federal	4,000	3,950	4,000	50	0
State	4,700	4,550	4,750	150	-50
Local	3,650	3,900	3,650	-250	0

Nonagricultural Wage and Salary Employment By Place of Work

Southeast Region

	p/ 7/91	r/ 6/91	Changes from: 7/90	6/91	7/90
Total Nonag. Wage & Salary	36,450	35,200	37,450	1,250	-1,000
Goods-producing	7,750	6,550	8,400	1,200	-650
Mining	350	350	350	0	0
Construction	1,400	1,350	1,300	50	100
Manufacturing	6,000	4,850	6,750	1,150	-750
Durable Goods	2,300	2,300	3,300	0	-1,000
Lumber & Wood Products	2,200	2,200	3,200	0	-1,000
Nondurable Goods	3,700	2,550	3,450	1,150	250
Seafood Processing	2,550	1,400	2,300	1,150	250
Pulp Mills	950	900	900	50	50
Service-producing	28,700	28,650	29,050	50	-350
Transportation	3,100	3,050	3,150	50	-50
Trade	5,950	5,800	6,000	150	-50
Wholesale Trade	600	600	600	0	0
Retail Trade	5,350	5,200	5,400	150	-50
Finance-Ins. & Real Estate	1,150	1,150	1,100	0	50
Services & Misc.	6,350	6,300	6,500	50	-150
Government	12,150	12,350	12,300	-200	-150
Federal	2,350	2,300	2,400	50	-50
State	5,500	5,600	5,750	-100	-250
Local	4,300	4,450	4,150	-150	150

Gulf Coast Region

	p/ 7/91	r/ 6/91	Changes from: 7/90	6/91	7/90
Total Nonag. Wage & Salary	28,800	27,300	29,300	1,500	-500
Goods-producing	10,350	8,650	10,700	1,700	-350
Mining	1,300	1,200	1,350	100	-50
Construction	1,100	1,150	1,200	-50	-100
Manufacturing	7,950	6,300	8,150	1,650	-200
Seafood Processing	6,900	5,200	7,100	1,700	-200
Service-producing	18,450	18,650	18,600	-200	-150
Transportation	2,250	2,150	2,200	100	50
Trade	4,800	4,800	4,850	0	-50
Wholesale Trade	650	650	700	0	-50
Retail Trade	4,150	4,150	4,150	0	0
Finance-Ins. & Real Estate	600	650	600	-50	0
Services & Misc.	5,100	5,000	5,100	100	0
Government	5,700	6,050	5,850	-350	-150
Federal	650	600	700	50	-50
State	1,800	1,900	1,950	-100	-150
Local	3,250	3,550	3,200	-300	50

Northern Region

	p/ 7/91	r/ 6/91	Changes from: 7/90	6/91	7/90
Total Nonag. Wage & Salary	15,400	15,500	15,800	-100	-400
Goods-producing	6,800	6,700	7,300	100	-500
Mining	6,350	6,250	6,750	100	-400
Service-producing	8,600	8,800	8,500	-200	100
Government	4,050	4,350	4,000	-300	50
Federal	300	300	300	0	0
State	350	350	350	0	0
Local	3,400	3,700	3,350	-300	50

Southwest Region

	p/ 7/91	r/ 6/91	Changes from: 7/90	6/91	7/90
Total Nonag. Wage & Salary	18,350	16,800	17,850	1,550	500
Goods-producing	7,650	5,950	7,050	1,700	600
Seafood Processing	7,250	5,550	6,650	1,700	600
Service-producing	10,700	10,850	10,800	-150	-100
Government	5,500	5,850	5,600	-350	-100
Federal	1,250	1,300	1,300	-50	-50
State	600	550	550	50	50
Local	3,650	4,000	3,750	-350	-100

Notes: Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

The employment numbers that appear above are definitionally different from those that appear in the Labor Force table.

Benchmark: March 1990

p/ denotes preliminary estimates
r/ denotes revised estimates

Source: *Alaska Department of Labor, Research & Analysis Section.*

Troubled waters for Alaska's salmon fishing industry

Strikes by fishermen, lower prices and struggling processors all made news in the fishing industry in July. Fortunately, the strikes were settled quickly so that Alaska's seafood processors could buy fish. This meant nearly 5,000 more seafood processing jobs in July than in June. Most of the employment gains were in the coastal areas — particularly Southwest Alaska and the Gulf Coast region of the state. (See Table 2.)

While employment levels in Alaska's fish processing sector are at or above last year, that doesn't necessarily mean that Alaska's salmon fishing industry is as healthy as it was during 1990. Processing employment is just part of the economic impact Alaska's salmon fishery has on the state. The income the salmon fishery provides to Alaskan salmon fishermen is an important economic stimulus for many communities. In many rural areas of Alaska, fishing is the only private industry of any significance.

Lower prices for salmon generally means that fishermen will have less disposable income to spend during the coming winter. The impact of less income in these communities will be spread out over a variety of industries from marine equipment retailers to restaurants. All of these and more can be affected by less available income in a community.

While lower prices for salmon are reason for concern in many areas of Alaska, low prices provided one unique opportunity, which could result in a new market for Alaskan fish. One Kodiak processor is experimenting with using pink salmon in surimi. The new product is being manufactured using pink salmon alone and in a blend with whitefish. After some early setbacks in developing the product, the pink or salmon surimi looks feasible. The salmon surimi will be test marketed this fall. If it is successful there might be a new use for Alaska's lower value fish.

One problem is that even with lower prices the pink or blended surimi costs more to produce than regular surimi. The cost of pink salmon to the processor is anywhere from 25-50% higher than the 9-10 cents a pound processors pay for pollack. The results thus far have meant a higher cost per unit for the salmon surimi. The hope is that the price differential can be overcome by marketing salmon surimi as a higher quality product which could develop its own market niche. Another possibility is that development of this product may carve out a use for fish which currently have no use. A hatchery with an abundance of fish might benefit from a market for this product. Another possibility is that watermarked fish that would otherwise be considered valueless could be used in this product.

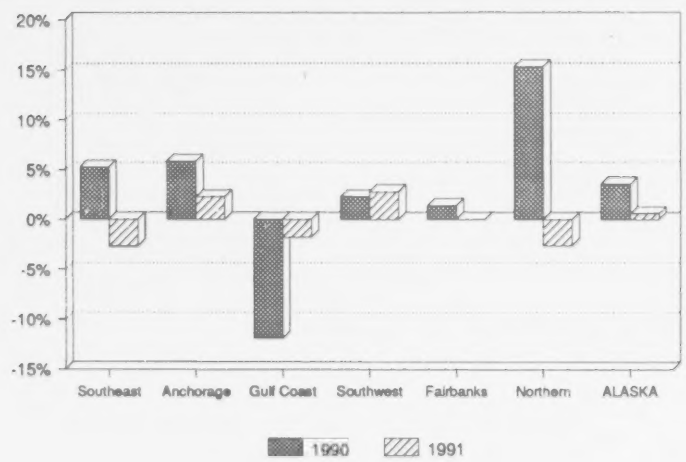
Regional outlook: Anchorage leading the way

Anchorage continued to post the strongest regional employment growth in the state. Anchorage's employment growth is being sustained by a strong performance in the services industry. The two negatives on the Anchorage employment scene this summer have been employment lost because of less international air traffic and the loss of temporary census workers, but growth in other industries has been more than enough to offset these employment losses.

Southeast Alaska, on the other hand, does not have the employment growth in

F i g u r e • 1

Most Regions Show Slower Growth in 1991 Over the Year Growth Rates for July



Source: Alaska Department of Labor, Research and Analysis Section

T a b l e • 3

Alaska Hours and Earnings for Selected Industries

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	p/ 7/91	r/ 6/91	7/90	p/ 7/91	r/ 6/91	7/90	p/ 7/91	r/ 6/91	7/90
Mining	$1,210.44	$1,177.34	$1,151.50	52.4	51.3	49.0	$23.10	$22.95	$23.50
Construction	1,129.49	1,121.39	1,149.45	46.5	46.3	47.4	24.29	24.22	24.25
Manufacturing	527.34	534.17	537.10	51.0	45.5	47.7	10.34	11.74	11.26
Seafood Processing	465.00	420.36	462.85	54.9	46.5	51.2	8.47	9.04	9.04
Trans., Comm. & Utilities	657.53	669.75	628.99	35.6	37.5	36.4	18.47	17.86	17.28
Trade	370.74	383.04	372.33	33.4	34.2	34.7	11.10	11.20	10.73
Wholesale	588.24	626.48	589.55	39.4	41.0	39.7	14.93	15.28	14.85
Retail	326.19	331.25	326.93	32.2	32.7	33.6	10.13	10.13	9.73
Finance-Ins. & R.E.	406.64	423.57	394.87	34.2	36.8	35.8	11.89	11.51	11.03

Notes: p/ denotes preliminary estimates r/ denotes revised estimates Benchmark: March 1990

Averages are based on data for full- and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.

Source: Alaska Department of Labor, Research & Analysis Section.

other industries to offset the negative impact of timber industry job losses. There were nearly 1,000 fewer jobs in Southeast Alaska's timber industry this July compared to July of 1990. This is the lowest level for July timber industry employment since 1986. The impact of these job losses is evident in the unemployment rates of areas where the timber industry is an integral part of the local job picture. Unemployment is up sharply over last year in the Ketchikan, Prince of Wales-Outer Ketchikan and Haines areas.

Northern Alaska has had one of the more dramatic changes in its rate of employment growth. Most of that change can be accounted for by events in the mining industry. During 1990 construction of the gas-handling facility was at its peak and the Red Dog mine was also contributing strong growth. This year the Bima closure has negated gains at Red Dog and the construction season on the North Slope has not been as busy as last year.

Slower employment growth in Fairbanks compared to last year can be traced almost entirely to the construction industry. Military related construction has fallen off dramatically this year and some firms have less employment because there has been less pipeline repair work than in 1990. (See construction article beginning page 1 for details.) Construction woes are also a prime reason for the employment drop compared to 1990 in the Gulf Coast region. Completion of the Bradley Lake hydroelectric project is a big factor in the drop in construction employment in this region.

Southwest Alaska is the lone region of the state to post a higher rate of employment growth this July than last July. The story in Southwest Alaska continues to be the fishing industry. While salmon processors struggled this year, there is a larger employment base in Southwest Alaska due to additional bottomfish processing plants.

July marks peak of a slower 1991

July employment and unemployment statistics showed that Alaska's annual summer employment surge took place. They also confirmed the recent trend of slower growth in Alaska's economy. Unemployment in Alaska was the highest it has been for July in the last three years. The July rate was still relatively low, however, compared to what it has been historically.

With a strong performance in the services industry, Anchorage led the state in employment growth. Southwest Alaska contributed some additional employment growth. Most of the other regions of the state had one or two sectors of the economy that are lagging their performance of 1990. Taken together, the slowdown in the regions outside of Anchorage add up to the slowest employment growth for Alaska in the last three years.

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Labor Force By Region and Census Area

	Labor Force			Unemployment			Rate %			Employment		
	p/ 7/91	r/ 6/91	7/90	p/ 7/91	r/ 6/91	7/90	p/ 7/91	r/ 6/91	7/90	p/ 7/91	r/ 6/91	7/90
Alaska Statewide	269,308	264,601	268,821	18,118	20,639	13,677	6.7	7.8	5.1	251,190	243,962	255,144
Anch.-MatSu Region	136,761	136,089	134,365	8,526	9,522	6,377	6.2	7.0	4.7	128,235	126,567	127,988
Municipality of Anchorage	120,822	119,872	118,808	6,736	7,451	4,891	5.6	6.2	4.1	114,086	112,421	113,917
MatSu Borough	15,939	16,217	15,557	1,790	2,071	1,486	11.2	12.8	9.6	14,149	14,146	14,071
Gulf Coast Region	34,393	33,078	35,354	2,407	3,089	1,998	7.0	9.3	5.7	31,986	29,989	33,356
Kenai Peninsula Borough	21,471	20,466	21,823	1,872	2,091	1,385	8.7	10.2	6.3	19,599	18,375	20,438
Kodiak Island Borough	7,705	7,628	8,066	237	626	278	3.1	8.2	3.4	7,468	7,002	7,788
Valdez-Cordova	5,217	4,984	5,465	298	372	335	5.7	7.5	6.1	4,919	4,612	5,130
Interior Region	37,314	36,987	37,362	3,240	3,789	2,492	8.7	10.2	6.7	34,074	33,198	34,870
Fairbanks North Star Bor.	32,314	31,942	32,392	2,769	3,157	2,157	8.6	9.9	6.7	29,545	28,785	30,235
Southeast Fairbanks	2,080	2,071	2,029	192	231	97	9.2	11.2	4.8	1,888	1,840	1,932
Yukon-Koyukuk	2,920	2,974	2,941	279	401	238	9.6	13.5	8.1	2,641	2,573	2,703
Northern Region	8,377	8,547	8,417	835	904	595	10.0	10.6	7.1	7,542	7,643	7,822
Nome	3,138	3,204	3,086	379	408	225	12.1	12.7	7.3	2,759	2,796	2,861
North Slope Borough	2,971	3,039	3,055	118	148	96	4.0	4.9	3.1	2,853	2,891	2,959
Northwest Arctic Borough	2,268	2,304	2,276	338	348	274	14.9	15.1	12.0	1,930	1,956	2,002
Southeast Region	37,918	36,349	38,931	2,424	2,540	1,676	6.4	7.0	4.3	35,494	33,809	37,255
Haines Borough	1,017	1,009	928	173	205	42	17.[illegible]	20.3	4.5	844	804	886
Juneau Borough	16,881	16,051	17,492	830	762	644	4.9	4.7	3.7	16,051	15,289	16,848
Ketchikan Gateway Bor.	7,116	6,862	7,245	538	597	341	7.6	8.7	4.7	6,578	6,265	6,904
Pr. of Wales-Outer Ketch.	2,934	2,784	2,935	316	291	187	10.8	10.5	6.4	2,618	2,493	2,748
Sitka Borough	4,397	4,202	4,571	216	219	183	4.9	5.2	4.0	4,181	3,983	4,388
Skagway-Yakutat-Angoon	1,787	1,716	1,850	153	159	135	8.6	9.3	7.3	1,634	1,557	1,715
Wrangell-Petersburg	3,786	3,725	3,910	198	307	144	5.2	8.2	3.7	3,588	3,418	3,766
Southwest Region	14,545	13,551	14,392	686	795	539	4.7	5.9	3.7	13,859	12,756	13,853
Aleutians East Borough	1,021	943	1,020	7	9	6	0.7	1.0	0.6	1,014	934	1,014
Aleutians West	2,871	2,649	2,864	29	33	23	1.0	1.2	0.8	2,842	2,616	2,841
Bethel	5,630	5,254	5,531	377	419	280	6.7	8.0	5.1	5,253	4,835	5,251
Bristol Bay Borough	550	510	547	14	17	11	2.5	3.3	2.0	536	493	536
Dillingham	2,584	2,422	2,565	74	112	56	2.9	4.6	2.2	2,510	2,310	2,509
Wade Hampton	1,889	1,773	1,865	185	205	163	9.8	11.6	8.7	1,704	1,568	1,702

Notes: p/ denotes preliminary estimates
r/ denotes revised estimates
Benchmark: March 1990

- Federal guidelines require the use of unrounded labor force data, adjusted to be consistent with the Current Population Survey in formulas used to allocate federal funds.
- Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor.
- The official definition of unemployment currently in place excludes anyone who has made no attempt to find work in the four-week period up to and including the week that includes the 12th of each month. Most Alaska economists believe that Alaska's rural localities have proportionately more of these discouraged workers.
- The employment numbers that appear above are definitionally different from those that appear in the Nonagricultural Wage & Salary Employment tables.

Source: Alaska Department of Labor, Research & Analysis Section.

Alaska Economic Regions

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